

Doha Ministerial Provides New Impetus for Multilateral Negotiations on Agriculture

By Dr. J.B. Penn

The Doha Ministerial Declaration launched new multilateral trade negotiations in numerous areas, from trade in services to the environment. As in the Uruguay Round, agriculture will be at the center of these negotiations.

The Doha Declaration on agriculture reaffirms the commitment of World Trade Organization (WTO) members to the long-term objective of establishing a fair and market-oriented agricultural trading system. WTO members agreed that comprehensive negotiations will aim at substantial improvements in market access, reductions of export subsidies and substantial reductions in trade-distorting domestic support.

The Declaration recognizes that special and differential treatment for developing countries will be an integral part of the negotiations. The Declaration also takes note of the non-trade concerns raised by a number of countries. These non-trade concerns include policy objectives, such as rural development or animal welfare, that extend beyond producing and trading agricultural products.

The United States has an ambitious agenda for these negotiations.

Market Access

A recent USDA study estimated that the average agricultural tariff for all WTO members is 62 percent, greatly exceeding the average industrial tariff of 4 percent. The study concludes that tariffs contribute the largest share of the total economic cost of agricultural protection.



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In many markets, U.S. exports face import tariffs that exceed 100 percent. This effectively eliminates market access. The U.S. objective is to change this situation and to ensure market access opportunities for all products in all markets. Enhanced market access will be achieved through:

- substantial reduction or elimination of all tariffs, including in-quota duties;
- substantial reduction or elimination of disparities in tariffs among countries;
- substantial reduction or elimination of tariff escalation (where the tariff on the processed product is higher than on the raw input product); and
- simplification of complex tariffs (all tariffs to be converted to an ad valorem, i.e., fixed percentage or a specific tariff).

We intend to focus our attention on the administration of tariff-rate quotas (TRQ's). This concept, which came out of the final Uruguay Round Agreement, was intended to provide market access opportunities in previously closed markets. An initial quota level would have zero or very low duties and a considerably higher duty

would be applied to imports above the initial quota levels. However, improved market access has not always been the result. We seek to increase the quota amounts themselves and to reduce or eliminate the in-quota duty.

Also, we are prepared to establish disciplines to improve the functioning of TRQ administration. We recognize that no single system of TRQ administration is appropriate for all markets and conditions. However, disciplines based on the principles of transparency and predictability will ensure that market access opportunities are created.

Export Competition

Export subsidies continue to be used by very few WTO members. While the amounts used, in both value and quantity, are within their respective Uruguay Round commitments, these subsidies continue to distort world trade and distort market signals for all producers. The elimination of export subsidies remains a priority objective, not just of the United States, but of almost every other WTO member.

The Doha Declaration commits members to reduce, with a view to phasing out, all forms of export subsidies. This phrase proved to be the most controversial part of the Declaration due to the reluctance of the European Union (EU) to make this commitment. Including the words “with a view to phasing out” makes a powerful statement and will undoubtedly be subject to long and heated debate in the negotiations.

USDA recognizes that the phrase “all forms of export subsidies” can be interpreted by other WTO members to include USDA’s Export Credit Guarantee Program. This program facilitates trade with developing countries by providing commercial financing support to U.S. agricultural exporters.

The United States has fully participated in the Organization for Economic Cooperation and Development (OECD) negotiations mandated by the Uruguay Round Agreement on Agriculture to work toward

disciplines on export credits and is willing to commit to the current draft OECD agreement. Such a commitment would have a significant impact on this program.

THE NEGOTIATIONS WILL AIM AT IMPROVING MARKET ACCESS, REDUCING EXPORT SUBSIDIES AND SUBSTANTIALLY REDUCING TRADE-DISTORTING DOMESTIC SUPPORT.

Whatever the final outcome of the OECD discussion, the United States intends to be fully engaged in the WTO negotiations on export credits. Any theoretical subsidy elements of the U.S. export credit

program pale in comparison to the billions of dollars used annually by the EU on direct export restitutions.

Domestic Support

The U.S. goal is to re-define the debate on domestic support. The best way to accomplish this objective is to negotiate and review criteria for determining whether a program has any trade-distorting impact. The challenge for WTO members is to negotiate where the line is drawn between trade-distorting and non-trade-distorting measures. Programs that distort trade will be subject to reduction commitments. We have proposed that the final level of support be based on a fixed percentage of the total value of agricultural production.

In addition to the commitments based on the three pillars from the Uruguay Round, the Doha Declaration contains two other important areas for U.S. agriculture.

Developing Countries

The entire Doha Declaration is a commitment to ensure that developing countries, especially the least developed countries, secure a share in the growth of world trade. USDA is committed to working with other U.S. government agencies and international organizations, such as the United Nations Food and Agriculture Organization, to focus attention on trade capacity building in developing countries.

Agriculture is at the heart of sustainable development for the majority of the world’s population. With the world’s largest agricultural research network and decades of experience, USDA will continue to provide important technical assistance to countries throughout the world.

A number of studies on the impact of the Uruguay Round concluded that the level of benefits countries derive from trade





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is directly related to the level of participation those countries have in the negotiations. Our objective is to increase participation in the negotiations by developing countries.

Developing countries differ from one another in many ways, from soybean production in Brazil to subsistence farming in sub-Saharan Africa to traditional farming practices in small island countries. Therefore, one model or approach will not work everywhere. However, in all cases, trade policy can play an important role in agricultural development, allowing farmers to receive world price signals and providing consumers with lower prices and greater choices. Trade policies should enhance food security and can be used by developing countries to ensure a stable supply of healthy foods for their consumers.

Environment

The Doha Declaration committed members to negotiations that examine the relationship between existing WTO rules and the specific trade obligations in multilateral environmental agreements. It will be vital to ensure that the science-based nature of the Uruguay Round Agreement, in particular the Agreement on Sanitary and

Phytosanitary Measures, is maintained.

The Doha Declaration was difficult to negotiate but we must remember that it is only the beginning. We have an ambitious agenda for these negotiations and we are supported by most of the WTO members. The United States and USDA will continue to play a leadership role in these negotiations. Further trade liberalization is

good, not only for American farmers, ranchers and consumers, it is good for farmers and consumers around the world. ■

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Chronology of Multilateral Trade Negotiations

General Agreement on Tariffs and Trade (GATT) Rounds

- **1947:** The GATT, the predecessor of the World Trade Organization, was created during this round.
- **1949:** This round involved negotiations with nations that desired GATT membership. Principal emphasis was on tariff reductions.
- **1951:** This round continued accession and tariff reduction negotiations.
- **1956:** This round proceeded along the same track as earlier rounds.
- **1960-62:** This round, referred to as the Dillon Round, involved further revision of the GATT and the addition of more countries.
- **1963-67:** Known as the Kennedy Round, this round was a hybrid of the earlier product-by-product approach to negotiations and the new formula tariff-reduction approach with across-the-board reductions.
- **1973-79:** This round, also called the Tokyo Round, centered on the negotiation of additional tariff cuts and developed a series of agreements governing the use of a number of non-tariff measures. More countries were involved in the Tokyo Round than in previous rounds (including many developing countries and several East European countries).
- **1986-94:** This round, termed the Uruguay Round because it was launched in Punta del Este, Uruguay, focused on strengthening the GATT and expanding its disciplines to new areas, including agriculture. The Agreement on Agriculture is one of the 29 individual legal texts under an umbrella agreement establishing the World Trade Organization (WTO).

WTO Trade Ministerials

- **1996:** Singapore
- **1998:** Geneva, Switzerland
- **1999:** Seattle, United States
- **2001:** Doha, Qatar. Launch of the WTO Doha Development Agenda.

Future Milestones

- **March 31, 2003:** Date set by the WTO to reach agreement on the form that reduction commitments on tariffs, domestic supports and export subsidies will take subject to further negotiations.
- **Summer 2003 (Tentative):** Fifth WTO Ministerial at which a draft schedule of commitments would be submitted.
- **Jan. 1, 2005:** Date set by WTO to finish Doha Development Agenda of trade negotiations.